

FINANCIAL REPORT
BIBLE STUDY FELLOWSHIP
AUGUST 31, 2009

Carneiro, Chumney & Co., L.C.

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Carneiro, Chumney & Co., L.C.

CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Bible Study Fellowship
San Antonio, TX

We have audited the accompanying statements of financial position of Bible Study Fellowship as of August 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the representation of Bible Study Fellowship's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bible Study Fellowship's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bible Study Fellowship as of August 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with United States generally accepted accounting principles.

As discussed in Note 13 to the financial statements, Bible Study Fellowship restated its 2008 financial statements to reflect a change in its treatment of accounting and reporting of its unused vacation benefits.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 13 through 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

Carneiro, Chumney & Co., L.C.

January 12, 2010

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BIBLE STUDY FELLOWSHIP
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2009 AND 2008

	2009	(Restated) 2008
ASSETS		
Cash	628,321	437,666
Cash in foreign bank accounts/classes	1,111,482	865,770
Investments	5,642,897	8,233,620
Pledged receivables	75,452	--
Current notes receivable	5,255	4,974
Inventories	41,272	109,306
Prepaid expenses	85,354	27,916
Area advisor advances	169,435	103,334
Other receivables	121,340	228,148
Property, Plant, and Equipment - Net of depreciation	9,871,850	10,394,496
Long-term notes receivable	11,919	17,174
Contribution receivable - charitable remainder unitrust	53,575	66,556
Deposits with suppliers	527,158	279,858
TOTAL	<u>18,345,310</u>	<u>20,768,818</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	338,946	323,138
Accrued expenses	56,191	47,837
Pension plan obligation, net	3,371,509	305,678
Total Liabilities	<u>3,766,646</u>	<u>676,653</u>
Commitments (Note 9)		
Unrestricted Net Assets:		
Undesignated -		
Net property, plant, and equipment	9,871,850	10,394,496
Board designated	4,653,239	9,631,113
Total Unrestricted Net Assets	<u>14,525,089</u>	<u>20,025,609</u>
Temporarily restricted net assets	53,575	66,556
Total Net Assets	<u>14,578,664</u>	<u>20,092,165</u>
TOTAL	<u>18,345,310</u>	<u>20,768,818</u>

The accompanying notes are an integral part of these financial statements.

BIBLE STUDY FELLOWSHIP

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED AUGUST 31, 2009 AND 2008

	2009			2008 (Restated)		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, Gains, and Other Support:						
Class contributions	8,044,564	1,706,456	9,751,020	7,794,595	1,487,819	9,282,414
Individual contributions	2,185,980	655,789	2,841,769	2,351,474	483,261	2,834,735
Interest and dividend income	260,675	22,239	282,914	757,496	24,689	782,185
Net realized (loss) gain on sale of investments	(606,104)	--	(606,104)	224,465	--	224,465
Net unrealized (loss) on investments	(646,156)	--	(646,156)	(1,829,991)	--	(1,829,991)
Gain on sale/disposition of fixed assets	1,011	--	1,011	33,932	--	33,932
Miscellaneous income	37,434	2	37,436	98,517	10	98,527
Net assets released from restrictions	2,397,467	(2,397,467)	--	2,000,464	(2,000,464)	--
Total Revenue, Gains, and Other Support	11,674,871	(12,981)	11,661,890	11,430,952	(4,685)	11,426,267
Expenses:						
Administration	1,640,771	--	1,640,771	1,773,612	--	1,773,612
Classes:						
Leadership training	7,579,193	--	7,579,193	8,435,226	--	8,435,226
Local classes	2,435,552	--	2,435,552	2,271,933	--	2,271,933
Production	2,905,925	--	2,905,925	3,290,483	--	3,290,483
Total Expenses	14,561,441	--	14,561,441	15,771,254	--	15,771,254
Change in Net Assets before Pension Related Changes	(2,886,570)	(12,981)	(2,899,551)	(4,340,302)	(4,685)	(4,344,987)
Pension related changes other than net periodic pension cost	(2,613,950)	--	(2,613,950)	(438,808)	--	(438,808)
Net assets at beginning of year before adjustments	--	--	--	24,840,200	71,241	24,911,441
Prior period adjustment	--	--	--	(35,481)	--	(35,481)
Net assets at beginning of year	20,025,609	66,556	20,092,165	24,804,719	71,241	24,875,960
 NET ASSETS AT END OF YEAR	 14,525,089	 53,575	 14,578,664	 20,025,609	 66,556	 20,092,165

The accompanying notes are an integral part of these financial statements.

BIBLE STUDY FELLOWSHIP

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED AUGUST 31, 2009 AND 2008

	2009	(Restated) 2008
Cash Flows from Operating Activities:		
Change in net assets	(2,899,551)	(4,344,987)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	1,074,380	1,055,795
Construction in process on abandoned projects	2,838	78,572
Change in deferred pension benefit obligation	(2,613,950)	(438,808)
(Gain) on sale of fixed assets	(1,011)	(33,932)
Loss (Gain) on sale of investments	606,104	(224,465)
Net unrealized loss on investments	646,156	1,829,991
(Increase) in pledge receivables	(75,452)	--
(Increase) in deposits with suppliers	(247,300)	(120,399)
Decrease in inventories	68,034	32,781
(Increase) decrease in prepaid expenses	(57,438)	52,469
(Increase) in area advisor advances	(66,101)	(13,644)
Decrease (increase) in other receivables	106,808	(16,528)
Decrease in contributions receivable	12,981	4,685
Decrease in pension plan assets, net	3,065,831	368,551
Increase in accounts payable	15,808	35,884
Increase in accrued expenses	8,354	12,356
Total Adjustments	<u>2,546,042</u>	<u>2,623,308</u>
Net Cash (Used in) Operating Activities	(353,509)	(1,721,679)
Cash Flows from Investing Activities:		
Proceeds from sale of fixed assets	1,011	54,648
Proceeds from sale/maturity of investments	3,307,057	4,637,229
Purchase of investments	(1,968,594)	(2,847,342)
Purchase of property and equipment	(554,572)	(510,802)
Payments received on notes receivable	4,974	8,113
Net Cash Provided by Investing Activities	<u>789,876</u>	<u>1,341,846</u>
Net Increase(Decrease) in Cash	436,367	(379,833)
Cash at beginning of year	<u>1,303,436</u>	<u>1,683,269</u>
CASH AT END OF YEAR	<u><u>1,739,803</u></u>	<u><u>1,303,436</u></u>

The accompanying notes are an integral part of these financial statements.

BIBLE STUDY FELLOWSHIP

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2009 AND 2008

Note 1: Summary of Significant Accounting Policies

Organization and Nature of Activities

Bible Study Fellowship is a not-for-profit corporation conducting Bible study classes in the United States and throughout the world. Bible Study Fellowship is the sole-owner of BSF International, LLC, a limited liability company. Both Bible Study Fellowship and BSF International, LLC are exempt from U.S. federal income taxes under Internal Revenue Code Section 501(c)(3). BSF International, LLC operates all of its Bible Study Fellowship classes outside the U.S., organizes and maintains registrations with similar exemptions under local laws in other countries in order to facilitate international operations. Current registrations include Australia, Singapore, Hong Kong, the United Kingdom, Kenya, Uganda and Nigeria. Activities from all BSF classes operated under Bible Study Fellowship and BSF International, LLC, including those representing these registrations, are included in the accounts of these financial statements to represent the worldwide operations of BSF.

Basis of Presentation

The accompanying financial statements present the consolidated financial position and changes in net assets and cash flows of Bible Study Fellowship and its 100% owned entity, BSF International, LLC. All significant intra-organizational accounts and transactions have been eliminated.

The accompanying financial statements also have been prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles. Net assets, support and revenue and expenses, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Board Designated Net Assets – Net assets restricted solely through actions of the Board, are reported as unrestricted net assets.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met by actions of Bible Study Fellowship. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

Cash for purposes of the cash flow statements includes cash accounts and highly liquid investments with original maturities of three months or less.

Pledged Receivables

Pledged receivables represent unconditional promises to give from online electronic recurring gifts known at year end expected to be received in the next twelve month operating cycle.

Investments

Investments in marketable securities are stated at fair market value.

(Continued)

BIBLE STUDY FELLOWSHIP

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2009 AND 2008

Note 1: Summary of Significant Accounting Policies (Continued)

Investments(Continued)

Day to day foreign operations have been converted to U.S. dollars for purposes of presenting financial statements. The statement of financial position of foreign assets is translated at spot rate at year end and the statement of activities is translated at an average rate for the year. Exchange rate gains and losses, as a result of conversion to dollars, are included in expenses.

Inventory

Paper and shipping supplies inventory is stated at cost (under the specific identification method).

Property and Equipment

Depreciation of property and equipment is provided over the estimated useful lives (3 to 40 years) of the respective assets on a straight-line basis. Expenditures for assets costing more than \$1,000 are capitalized if their useful life is greater than one-year.

Expense Allocation

The costs of providing various programs and other activities of Bible Study Fellowship have been summarized on a functional basis in the statement of activities and statement of operating expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services based primarily on management estimates of facility usage by and direct wages incurred in these program areas.

Estimates

The process of preparing financial statements in conformity with United States generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenue, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Fair Value of Financial Instruments

The Fair Value Measurements and Disclosure Topic of the Financial Accounting Standards Codification defines fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurements. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that Bible Study Fellowship has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

(Continued)

BIBLE STUDY FELLOWSHIP

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2009 AND 2008

Note 2: Property and Equipment and Depreciation

Property and equipment are valued at cost with the exception of certain contributed assets, which are stated at the fair market value at the date each contribution was received. Cost and accumulated depreciation on property and equipment are as follows:

	<u>2009</u>	<u>2008</u>
Land	\$ 1,533,063	\$ 1,533,063
Buildings and improvements	12,152,151	11,816,509
Furniture and equipment	2,003,205	1,939,856
Printing equipment	5,030,705	5,026,555
Automobiles	496,974	496,974
Training center equipment	628,632	538,283
Training library books	13,040	13,040
Construction in process	<u>77,435</u>	<u>26,943</u>
	21,935,205	21,391,223
Less: Accumulated depreciation	<u>(12,063,355)</u>	<u>(10,996,727)</u>
 Net Land, Buildings, and Equipment	 \$ <u>9,871,850</u>	 \$ <u>10,394,496</u>

Note 3: Pension Plan

Bible Study Fellowship instituted a defined benefit retirement plan (the Plan) effective July 1, 1980, covering those employees meeting specified eligibility requirements. The Plan has been amended periodically to comply with applicable provisions of the Internal Revenue Code. The Plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service with the organization and their compensation rates near retirement. Contributions to the Plan reflect benefits attributed to employees' services to date and also for services expected to be earned in the future. Plan assets consist primarily of mutual funds, individual equity positions, and corporate bonds and notes.

Bible Study Fellowship's funding policy is to make the minimum annual contribution required by applicable regulations. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. No contributions were recommended for Bible Study Fellowship for fiscal year 2009, but discretionary contributions may be made as necessary to fund the full projected benefit obligation.

	<u>2009</u>	<u>2008</u>
Obligations and funded status at fiscal year:		
Benefit obligation	\$(9,319,918)	\$(7,611,848)
Plan assets at fair value	<u>5,948,409</u>	<u>7,306,170</u>
Funded Status	\$ (3,371,509)	\$ (305,678)

(Continued)

BIBLE STUDY FELLOWSHIP

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2009 AND 2008

Note 3: Pension Plan (Continued)

Accumulated benefit obligation	\$ 8,507,049	\$ 6,929,870
Employer contributions	\$ --	\$ 490,000
Plan participant contributions	--	--
Benefits paid	\$ (433,142)	\$ (433,142)

Amounts recognized in the statement of financial position consist of:

Current liabilities	\$(3,371,509)	\$ (305,678)
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Other Changes in Plan Assets and Benefit Obligations
Recognized in Changes in Unrestricted Net Assets:

Net (gain) or loss	\$ <u>2,613,950</u>	\$ <u>438,808</u>
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Total Recognized in Net Periodic Pension Cost and Unrestricted Net Assets	\$ <u>2,613,950</u>	\$ <u>438,808</u>
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The following assumptions were used in accounting for the Plan:

Weighted-average assumptions used to determine benefit obligation at August 31:

	<u>2009</u>	<u>2008</u>
Discount rate	6.00%	7.00%
Rate of compensation increase	4.00%	4.00%

Weighted-average assumptions used to determine net periodic benefit cost for year ended August 31:

	<u>2009</u>	<u>2008</u>
Discount rate	6.00%	7.00%
Expected return on plan assets	7.50%	7.50%
Rate of compensation increase	4.00%	4.00%

The weighted-average discount rate was based on the expected rates at which the pension benefits could be effectively settled using Moody's Aa bond yield index as a benchmark. The rate of salary increase is based on the historical salary increase policies of Bible Study Fellowship.

The percentage of the fair value of total plan assets held as of August 31, (the measurement date) by asset category is as follows:

(Continued)

BIBLE STUDY FELLOWSHIP

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2009 AND 2008

Note 3: Pension Plan (Continued)

	<u>2009</u>		<u>2008</u>	
Equity securities	\$ 4,202,330	70.7%	\$ 4,763,353	65.2%
Debt securities	1,707,184	28.7%	2,001,890	27.4%
General account	<u>38,895</u>	0.6%	<u>540,927</u>	7.4%
 Total	 \$ <u>5,948,409</u>	 100.0%	 \$ <u>7,306,170</u>	 100.0%

Bible Study Fellowship's investment strategy is based on the overall investment philosophy to manage Plan assets in a prudent, conservative, yet productive manner. Fiduciaries with any discretionary authority to manage Plan assets shall seek to increase the value of Plan assets, while recognizing the need to preserve asset value in order to enhance the ability of the Plan to meet its obligations to Plan participants and their beneficiaries when due. Preservation of capital is of prime importance and within the stated investment objectives for the Plan's assets. Risks, including excessive volatility in the value of Plan assets, should be minimized. Plan assets shall be managed to achieve stated objectives over a long-term time horizon.

The permitted range by principal investment category as a percentage of the total value of the Plan assets shall be as follows:

Equity funds	55% -- 75%
Fixed Income Fund (including the Liquidity Reserve)	25% -- 45%

No plan assets are expected to be returned to the Bible Study Fellowship during 2009.

The following benefits are expected to be paid during fiscal years:

2010	561,300
2011	622,841
2012	612,929
2013	654,790
2014	651,706
2015 – 2019	3,668,120

Note 4: Notes Receivable

Notes receivable totaling \$17,174 in 2009 and \$22,148 in 2008, are unsecured.

Note 5: Charitable Remainder Unitrust

During 2004, a donor established a trust with a brokerage firm naming Bible Study Fellowship as a 50% beneficiary of a charitable remainder unitrust. Under terms of the split-interest agreement, the donors will receive 5% of the net fair market value of the assets quarterly until their death. At the time of the donors' death, the trust is to terminate, and the remaining trust assets are to be distributed to the beneficiaries. Based on the donors' life expectancy and a 5% discount rate for 2009 and 2008, the present value of future benefits expected to be received by Bible Study Fellowship were estimated to be \$53,575 and \$66,556 for 2009 and 2008, respectively, which changes in value were recorded in 2009 and 2008, as a temporarily restricted contribution and to the contribution receivable - charitable remainder unitrust.

(Continued)

BIBLE STUDY FELLOWSHIP

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2009 AND 2008

Note 6: Volunteer Services

While the impact of volunteer services performed in our class locations cannot be adequately determined, the hours of volunteer services received at headquarters, in San Antonio, can be more accurately measured. In the year ended August 31, 2009 and 2008, over 28,000 hours were donated to headquarters in services performed by over 1,200 volunteers. These hours have not been valued on these financial statements as they do not meet the accounting criteria for recording.

Note 7: Marketable Securities

Security investments consist of the following:

	2009		2008	
	Cost	Fair Market Value	Cost	Fair Market Value
Corporate bonds/funds	\$ 823,254	\$ 748,774	\$ 1,808,234	\$ 1,538,460
Certificate of deposit	--	--	70,000	70,000
Government securities	103,274	102,571	266,280	254,952
Equity securities/funds	<u>5,459,647</u>	<u>4,791,552</u>	<u>6,186,229</u>	<u>6,370,208</u>
Total	\$ <u>6,386,175</u>	\$ <u>5,642,897</u>	\$ <u>8,330,743</u>	\$ <u>8,233,620</u>

Bible Study Fellowship maintains several investment accounts with different financial institutions holding the security positions listed above. Investment accounts are insured under limited circumstances by the Securities Investor Protection Corporation ("SIPC") up to \$500,000, and by other private insurance maintained by the financial institutions for amounts in excess of the SIPC limit. Investments are not protected against potential declines in value from normal or adverse market conditions. In management's opinion, account holdings and investment allocations are in accordance with policies established by Bible Study Fellowship intended to minimize such risk of loss.

Note 8: Cash Balance Credit Risk

Bible Study Fellowship maintains most of its cash in checking and money market accounts, at six different institutions in the San Antonio area, that require certain minimum balance requirements for allowance of earnings on operating accounts. At various times during the fiscal year, Bible Study Fellowship, maintained cash balances in excess of \$100,000 in banks, which were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per depositor. On October 3, 2008, the federal government temporarily increased this FDIC limit to \$250,000 per depositor through December 31, 2013. At March 31, 2009, Bible Study Fellowship cash balances exceeded FDIC insurance limits. On October 14, 2008, the FDIC announced its temporary Transaction Account Guarantee Program, which provides full coverage for non-interest bearing transaction deposit accounts at FDIC insured institutions that agree to participate in the program. The transaction account guarantee applies to all personal business checking deposit accounts that do not earn interest at participating institutions. This unlimited insurance coverage is temporary and will remain in effect for participating institutions until December 31, 2013.

Note 9: Lease Obligations

Bible Study Fellowship is the lessee of a copying machine and a telephone system under non-cancellable operating leases. Minimum future lease payments including post-year end renewals due over the remaining terms of the leases are as follows:

(Continued)

BIBLE STUDY FELLOWSHIP

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2009 AND 2008

Note 9: Lease Obligations (Continued)

<u>Year Ending</u>	<u>Amount</u>
2010	\$ 21,910
2011	17,620
2012	13,330
2013	13,330
2014	<u>9,997</u>
Total Minimum Lease Payments	\$ <u>76,187</u>

Note 10: Commitments and Designated Net Assets

The Board of Directors of Bible Study Fellowship has designated unrestricted net assets and authorized the maintenance of designated fund balances that are for specific purposes. The major categories of designated unrestricted net assets are as follows:

	<u>2009</u>	<u>2008</u>
Capital Improvements	\$ 2,891,468	\$ 4,427,585
Contingency Reserves	511,110	511,110
Leadership Retreats	1,346,547	1,594,109
Retirement Benefits	200,000	200,000
Leadership Orientation	5,276	5,221
International Operations	404,936	2,889,308
Executive Director Discretion	<u>5,012</u>	<u>3,780</u>
	\$ <u>4,653,239</u>	\$ <u>9,631,113</u>

Note 11: Temporarily Restricted Net Assets

Temporarily restricted net assets as of August 31, 2009 and 2008, consist of a charitable remainder unitrust contribution restricted for use by time.

Note 12: Fair Value Measurements

Bible Study Fellowship uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how Bible Study Fellowship measures fair value refer to Note 1: Organization and Significant Accounting Policies. The following table represents the fair value hierarchy for the balances of the assets of Bible Study Fellowship measured at fair value on a recurring basis as of August 31, 2009:

(Continued)

BIBLE STUDY FELLOWSHIP

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2009 AND 2008

Note 12: Fair Value Measurements (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 5,642,897	\$ --	\$ --	\$ 5,642,897
Charitable Remainder Unitrust	<u> --</u>	<u> --</u>	<u>53,575</u>	<u>53,575</u>
	\$ <u>5,642,897</u>	\$ <u> --</u>	\$ <u>53,575</u>	\$ <u>5,696,472</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for the charitable remainder unitrust, with the grantor retained life estate, is determined by calculating the present value of the future life expectancy of the tenant bases on their present age using published life expectancy tables and a 4.4% discount rate.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

	<u>2009</u>	<u>2008</u>
Charitable Remainder Unitrust:		
Beginning balance, September 1,	\$ 66,556	\$ 71,241
Change in value in split-interest agreement	(12,981)	(4,685)
Payment received from charitable remainder trust	<u> --</u>	<u> --</u>
Ending Balance, August 31,	\$ <u>53,575</u>	\$ <u>66,556</u>

Note 13: Change in Accounts Treatment and Restatement to Financials Statements

Net assets at the beginning of 2008 have been restated to be consistent with a change in accounting treatment implemented in 2009, related to accrual of employer provided vacation benefits. The resulting change in accounting treatment overstated net assets by \$35,481 in 2007, and \$12,356 of the resulting change was expensed in the restatement of 2008.

SUPPLEMENTARY INFORMATION

BIBLE STUDY FELLOWSHIP
SCHEDULE OF OPERATING EXPENSES BY FUNCTION
FOR THE YEAR ENDED AUGUST 31, 2009

	Domestic				Foreign			Total Domestic And Foreign	
	Admin- istration	Class Expenses		Production Expenses	Admin- istration	Class Expenses			Production Expenses
		Leadership Training	Local Classes			Local Classes	Production Expenses		
								Total	
Personnel Expenses:									
Salaries, wages, contract, support	477,164	1,745,150	--	2,828,771	70,780	1,570,437	--	1,641,217	4,469,988
Payroll taxes	37,556	111,470	--	194,574	4,873	101,070	--	105,943	300,517
Retirement benefits	57,553	200,273	--	333,136	7,442	111,303	--	118,745	451,881
Employee benefits	102,498	217,301	--	447,851	11,593	460,635	--	472,228	920,079
Total Personnel Expenses	674,771	2,274,194	--	3,804,332	94,688	2,243,445	--	2,338,133	6,142,465
Other Expenses:									
Audit	24,000	--	--	24,000	--	--	--	--	24,000
Automobile	3,147	13,261	--	20,637	--	19,462	--	19,462	40,099
Board	78,227	--	--	78,227	31,181	--	--	31,181	109,408
Books/literature/dues	1,099	23,734	--	26,309	105	270	--	375	26,684
Computer	4,252	17,915	--	27,879	1,060	--	--	1,060	28,939
Depreciation	152,951	391,170	--	1,074,380	--	--	--	--	1,074,380
Entertainment/accommodations	2,637	11,111	--	17,291	--	--	--	--	17,291
Housekeeping/janitorial	19,444	34,703	--	78,372	--	--	--	--	78,372
Insurance	96,704	75,416	--	268,995	1,357	--	--	1,357	270,352
Legal	24,881	--	--	100,878	8,871	23,357	--	32,228	133,106
Miscellaneous	46,031	--	--	46,163	29,199	--	--	29,199	75,362
Office supplies	888	3,740	--	4,628	283	--	--	283	6,103
Photography	462	--	--	462	--	--	--	--	462
Postage	5,923	24,956	--	38,836	49	--	--	49	38,885
Professional services	103,422	--	--	103,422	31,278	9,450	--	40,728	144,150
Rent - office/equipment	2,466	4,402	--	20,389	--	--	--	--	20,389
Repairs/maintenance	32,695	58,354	--	172,583	--	--	--	--	172,583
Security	16,163	28,848	--	65,148	--	--	--	--	65,148
Staff training/development	598	2,521	--	3,923	--	--	--	--	3,923
Taxes/licenses	85,085	--	--	85,085	--	--	--	--	85,085
Telephone	5,077	21,392	--	33,290	332	--	--	332	33,622
Travel	2,395	176,868	--	179,263	--	332,988	--	332,988	512,251
Utilities	59,050	105,390	--	238,009	--	--	--	--	238,009
Area advisors	--	836,352	--	836,352	--	479,904	--	479,904	1,316,256
Flowers	--	2,605	--	2,605	--	--	--	--	2,605
Food service	--	67,701	--	67,701	--	794	--	794	68,495
Institute/retreat/training	--	6,457	--	6,457	--	150,632	--	150,632	157,089
Lodging	--	--	--	--	--	19,232	--	19,232	19,232
Administration	--	--	--	--	--	--	--	--	--
Ambassador	--	26,045	--	26,045	--	--	--	--	26,045
Children's supplies	--	46,420	--	46,420	--	--	--	--	46,420
Church facilities	--	67,247	--	67,247	--	--	--	--	67,247
Screening volunteers	--	1,411,998	--	1,411,998	--	--	--	--	1,411,998
Paper	--	233,498	--	233,498	--	--	--	--	233,498
Printing outsource	--	402,629	--	402,629	--	--	--	--	402,629
Printing supplies	--	28,947	--	28,947	--	--	--	--	28,947
Shipping	--	34,435	--	34,435	--	--	--	--	34,435
Shipping supplies	--	387,670	--	387,670	--	344,877	--	344,877	732,547
CD/tape program	--	19,706	--	19,706	--	180	--	180	19,886
Foreign currency translation adjustment	--	12,773	--	12,773	--	--	--	--	12,773
Total Other Expenses	767,597	1,982,893	--	6,293,844	103,715	42,572	--	42,572	8,418,976
		1,837,853	--	1,705,501		1,078,661	--	345,057	
TOTAL OPERATING EXPENSES	1,442,368	4,257,087	--	10,098,176	198,403	3,322,106	--	3,45,057	14,561,441

BIBLE STUDY FELLOWSHIP

SCHEDULE OF OPERATING EXPENSES BY FUNCTION

FOR THE YEAR ENDED AUGUST 31, 2008 (Restated)

	Domestic				Foreign				Total Domestic And Foreign
	Class Expenses		Production Expenses	Education	Total	Class Expenses		Production Expenses	
	Administration	Leadership Training				Local Classes	Local Classes		
Personnel Expenses:									
Salaries, wages, contract, support	477,478	1,440,398	--	--	2,542,308	57,775	1,610,980	--	1,668,755
Payroll taxes	36,942	98,104	--	--	181,491	3,701	110,236	--	113,937
Retirement benefits	58,048	165,911	--	--	301,075	6,941	111,727	--	419,743
Employee benefits	96,418	192,494	--	--	426,680	8,671	567,745	--	1,003,096
Total Personnel Expenses	668,886	1,896,907	--	--	3,451,554	77,088	2,400,688	--	2,477,776
Other Expenses:									
Audit	20,625	--	--	--	20,625	--	--	--	20,625
Automobile	3,866	14,903	--	--	24,879	--	--	--	24,879
Board	107,200	--	--	--	107,200	2,651	--	--	109,851
Books/literature/dues	1,129	9,352	--	--	12,266	175	367	--	542
Computer	5,705	21,991	--	--	36,713	--	--	--	36,713
Depreciation	130,690	382,889	--	--	1,055,795	--	--	--	1,055,795
Entertainment/accommodations	1,750	6,744	--	--	11,259	--	--	--	11,259
Housekeeping/Janitorial	28,442	50,762	--	--	114,639	--	--	--	114,639
Insurance	100,437	66,440	70,011	--	283,267	1,510	--	--	284,777
Legal	66,441	3,057	--	--	69,498	--	226	--	69,498
Miscellaneous	11,145	133,081	--	--	148,307	5,999	--	--	154,532
Office supplies	1,426	5,495	--	--	9,174	498	--	--	9,672
Photography	410	--	--	--	410	--	--	--	410
Postage	8,459	32,607	--	--	54,435	55	--	--	54,490
Professional services	225,280	--	--	--	225,280	54,972	14,000	--	294,252
Rent - office/equipment	4,827	8,615	--	--	29,439	--	--	--	29,439
Repairs/maintenance	65,668	117,202	--	--	325,001	--	--	--	325,001
Security	20,203	36,058	--	--	81,431	--	--	--	81,431
Staff training/development	74,519	5,092	--	--	8,501	--	--	--	8,501
Taxes/licenses	4,790	18,463	--	--	74,519	26	--	--	74,545
Telephone	18,498	216,534	--	--	30,823	329	--	--	31,152
Travel	58,864	70,000	--	--	237,260	564,012	--	--	799,064
Utilities	--	1,291,686	--	--	70,000	(272)	--	--	236,988
Program related gifts	--	4,108	--	--	1,291,686	--	877,405	--	70,000
Area advisors	--	77,446	--	--	4,108	--	--	--	4,108
Flowers	--	6,000	--	--	77,446	--	1,185	--	78,631
Food service	--	445	--	--	6,000	--	--	--	6,000
Institute/retreat/training	--	445	--	--	445	--	32,109	--	32,554
Lodging	--	22,036	--	--	22,036	--	--	--	22,036
Administration	--	25,690	--	--	25,690	--	--	--	25,690
Ambassador	--	70,415	--	--	70,415	--	--	--	70,415
Children's supplies	--	1,361,089	--	--	1,361,089	--	--	--	1,361,089
Church facilities	--	217,976	--	--	217,976	--	--	--	217,976
Screening volunteers	--	467,199	--	--	467,199	--	--	--	467,199
Paper	--	58,989	--	--	58,989	--	--	--	58,989
Printing outsource	--	84,391	--	--	84,391	--	--	--	84,391
Printing supplies	--	412,551	--	--	412,551	--	--	--	412,551
Shipping	--	29,364	--	--	29,364	--	--	--	29,364
Shipping supplies	--	16,939	--	--	16,939	--	--	--	16,939
CD/tape program	--	--	--	--	--	--	--	--	--
Foreign currency translation adjustment	--	--	--	--	--	--	--	--	--
Total Other Expenses	961,695	2,684,049	1,767,217	--	7,412,097	65,943	1,453,582	504,716	2,429,827
TOTAL OPERATING EXPENSES	1,630,581	4,580,956	1,767,217	--	10,863,651	143,031	3,884,270	504,716	4,907,603

BIBLE STUDY FELLOWSHIP
SCHEDULE OF FINANCIAL POSITION - FOREIGN
AUGUST 31, 2009

	Canada	Australia	Europe	Africa	Asia	Latin America	Total
Current Assets:							
Cash on deposit	--	492,797	68,274	26,559	341,392	--	929,022
Due from classes	1,648	23,382	7,169	12,868	136,868	525	182,460
Interest receivable/Area	--	--	--	--	--	--	--
Advisors advance/deposits	--	9,157	--	8,040	61,770	--	78,967
Total Current Assets	1,648	525,336	75,443	47,467	540,030	525	1,190,449
Property and Equipment:							
Office equipment	--	--	1,635	--	--	--	1,635
Less: Accumulated depreciation	--	--	1,635	--	--	--	1,635
Net Property and Equipment	--	--	--	--	--	--	--
Liabilities --							
Accounts payable/deposits payable/acrued expenses	--	5,594	1,147	20,552	2,812	--	30,105
NET ASSETS	1,648	519,742	74,296	26,915	537,218	525	1,160,344

BIBLE STUDY FELLOWSHIP

SCHEDULE OF FINANCIAL POSITION - FOREIGN

AUGUST 31, 2008

	Canada	Australia	Europe	Africa	Asia	Latin America	Total
Current Assets:							
Cash on deposit	--	364,834	61,276	7,647	226,222	--	659,979
Due from classes	1,496	42,180	3,537	3,672	154,632	274	205,791
Interest receivable/Area							
Advisors advances	--	16,736	213	--	15,685	--	32,634
Total Current Assets	1,496	423,750	65,026	11,319	396,539	274	898,404
Property and Equipment:							
Office equipment	--	--	1,828	--	--	--	1,828
Less: Accumulated depreciation	--	--	1,828	--	--	--	1,828
Net Property and Equipment	--	--	--	--	--	--	--
Liabilities -							
Accounts payable/deposits payable/accrued expenses	--	15,073	2,597	992	21,584	--	40,246
NET ASSETS	1,496	408,677	62,429	10,327	374,955	274	858,158

BIBLE STUDY FELLOWSHIP

SCHEDULE OF REVENUE AND EXPENSES - FOREIGN

FOR THE YEAR ENDED AUGUST 31, 2009

	Canada	Australia	Europe	Africa	Asia	Latin America	Int'l Fund Hdqtrs	Total
Revenue:								
Class contributions	182,417	369,621	136,077	103,589	899,774	14,978	--	1,706,456
Individual contributions	--	7,834	2,601	61	4,788	--	653,486	668,770
Interest	--	21,064	447	--	320	--	408	22,239
Other income	--	--	--	--	--	--	2	2
Total Revenue	182,417	398,519	139,125	103,650	904,882	14,978	653,896	2,397,467
Operating Expenses:								
(1) Administration	--	26,378	10,069	1,005	7,239	--	153,712	198,403
(2) Leadership training	--	141,123	37,299	48,800	200,843	4,756	2,846,713	3,279,534
Local classes	46,923	110,467	40,021	37,053	355,528	4,113	3,594	597,699
(3) Production expenses	--	--	--	--	30,464	--	314,593	345,057
Exchange rate difference	10,377	9,485	6,357	45	16,297	13	(2)	42,572
Total Operating Expenses	57,300	287,453	93,746	86,903	610,371	8,882	3,318,610	4,463,265
Excess Revenue Over (Under) Expenses	125,117	111,066	45,379	16,747	294,511	6,096	(2,664,714)	(2,065,798)
Net Assets beginning of year	1,496	408,677	62,429	10,327	374,955	274	--	858,158
Transfers (to) from headquarters	(124,965)	(1)	(33,512)	(159)	(132,248)	(5,845)	2,664,714	2,367,984
NET ASSETS	1,648	519,742	74,296	26,915	537,218	525	--	1,160,344

This Schedule is intended to present operating results from classes outside the U.S. and program costs that can be directly attributed to these operations. Most program costs are incurred domestically from centralized operations at headquarters and benefit both domestic and foreign operations. A detailed allocation of all program costs is impractical to determine and beyond the scope of these financial statements. However, a hypothetical allocation of these program costs to foreign operations based on adult lessons shipped to areas outside the U.S. would result in additional Administration, Leadership Training and Production costs of (1) \$232,654, (2) \$523,236 and (3) \$233,915, respectively.

BIBLE STUDY FELLOWSHIP
SCHEDULE OF REVENUE AND EXPENSES - FOREIGN
FOR THE YEAR ENDED AUGUST 31, 2008

	Canada	Australia	Europe	Africa	Asia	Latin America	Int'l Fund Hdqtrs	Total
Revenue:								
Class contributions	163,091	314,700	161,495	99,545	733,890	15,098	--	1,487,819
Individual contributions	--	13,981	14,126	2,826	5,631	--	487,946	524,510
Interest	--	20,613	1,930	--	300	--	24,689	47,532
Other income	--	--	--	--	--	--	10	10
Total Revenue	163,091	349,294	177,551	102,371	739,821	15,098	512,645	2,059,871
Operating Expenses:								
(1) Administration	--	24,813	15,787	2,768	23,838	(3)	75,828	143,031
(2) Leadership training	--	165,639	94,789	73,680	273,089	3,870	3,278,925	3,889,992
Local classes	42,608	99,075	46,052	37,899	267,407	3,935	7,740	504,716
(3) Production expenses	--	--	--	--	41,578	--	364,008	405,586
Exchange rate difference	(4,032)	(17,925)	5,868	(172)	(32,871)	--	13,410	(35,722)
Total Operating Expenses	38,576	271,602	162,496	114,175	573,041	7,802	3,739,911	4,907,603
Excess Revenue Over (Under) Expenses	124,515	77,692	15,055	(11,804)	166,780	7,296	(3,227,266)	(2,847,732)
Net Assets beginning of year	1,635	330,985	87,608	22,131	438,594	195	--	881,148
Transfers (to) from headquarters	(124,654)	--	(40,234)	--	(230,419)	(7,217)	3,227,266	2,824,742
NET ASSETS	1,496	408,677	62,429	10,327	374,955	274	--	858,158

This Schedule is intended to present operating results from classes outside the U.S. and program costs that can be directly attributed to these operations. Most program costs are incurred domestically from centralized operations at headquarters and benefit both domestic and foreign operations. A detailed allocation of all program costs is impractical to determine and beyond the scope of these financial statements. However, a hypothetical allocation of these program costs to foreign operations based on adult lessons shipped to areas outside the U.S. would result in additional Administration, Leadership Training and Production costs of (1) \$258,688, (2) \$487,836 and (3) \$392,439, respectively.